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ENGROSSED HOUSE BILL 2654

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State of Washington

58th Legislature

2004 Regular Session

By Representatives Santos, Cody, Kagi, Chase, Kenney, McIntire, Schual-Berke and McDermott

Read first time 01/19/2004. Referred to Committee on Finance.

1 AN ACT Relating to tax expenditure reports; and amending RCW  
2 43.06.400 and 43.88.030.

3 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

4 **Sec. 1.** RCW 43.06.400 and 1999 c 372 s 5 are each amended to read  
5 as follows:

6 ~~((Beginning in January 1984, and in January of every fourth year~~  
7 ~~thereafter)) Biennially, the department of revenue shall ~~((submit to~~  
8 ~~the legislature prior to the regular session)) prepare a listing of the  
9 amount of reduction for the current and next biennium in the revenues  
10 of the state or the revenues of local government collected by the state  
11 as a result of tax exemptions. The listing shall include an estimate  
12 of the revenue lost from the tax exemption, the purpose of the tax  
13 exemption, the persons, organizations, or parts of the population which  
14 benefit from the tax exemption, and whether or not the tax exemption  
15 conflicts with another state program. The listing shall include but  
16 not be limited to the following revenue sources:~~~~

- 17 (1) Real and personal property tax exemptions under Title 84 RCW;  
18 (2) Business and occupation tax exemptions, deductions, and credits  
19 under chapter 82.04 RCW;

1 (3) Retail sales and use tax exemptions under chapters 82.08,  
2 82.12, and 82.14 RCW;

3 (4) Public utility tax exemptions and deductions under chapter  
4 82.16 RCW;

5 (5) Food fish and shellfish tax exemptions under chapter 82.27 RCW;

6 (6) Leasehold excise tax exemptions under chapter 82.29A RCW;

7 (7) Motor vehicle and special fuel tax exemptions and refunds under  
8 chapters 82.36 and 82.38 RCW;

9 (8) Aircraft fuel tax exemptions under chapter 82.42 RCW;

10 (9) Motor vehicle excise tax exclusions under chapter 82.44 RCW;  
11 and

12 (10) Insurance premiums tax exemptions under chapter 48.14 RCW.

13 The department of revenue shall prepare the listing required by  
14 this section with the assistance of any other agencies or departments  
15 as may be required.

16 The department of revenue shall (~~present the listing to the ways~~  
17 ~~and means committees of each house in public hearings~~) submit the  
18 listing to the governor at the time biennial budget requests are due  
19 under RCW 43.88.030.

20 (~~Beginning in January 1984, and every four years thereafter~~) The  
21 governor is requested to review the report from the department of  
22 revenue and prepare a tax expenditure report as part of the biennial  
23 budget documents under RCW 43.88.030. The tax expenditure report shall  
24 include the listing of exemptions prepared by the department of revenue  
25 and a budget analysis of each exemption. The budget analysis shall  
26 categorize each exemption according to the programs or functions each  
27 exemption supports.

28 The governor shall identify each exemption that will terminate  
29 during the next biennium and make a recommendation as to whether the  
30 exemption should be allowed to terminate, continue, or continue with  
31 modification. The governor also may submit other recommendations to  
32 the legislature with respect to the repeal or modification of any tax  
33 exemption. The (~~ways and means~~) fiscal committees of each house and  
34 the appropriate standing committee of each house shall hold public  
35 hearings and take appropriate action on the tax expenditure report and  
36 recommendations submitted by the governor.

37 As used in this section, "tax exemption" means an exemption,

1 exclusion, or deduction from the base of a tax; a credit against a tax;  
2 a deferral of a tax; or a preferential tax rate.

3 **Sec. 2.** RCW 43.88.030 and 2002 c 371 s 911 are each amended to  
4 read as follows:

5 (1) The director of financial management shall provide all agencies  
6 with a complete set of instructions for submitting biennial budget  
7 requests to the director at least three months before agency budget  
8 documents are due into the office of financial management. The  
9 director shall provide agencies and committees that are required under  
10 RCW 44.40.070 to develop comprehensive six-year program and financial  
11 plans with a complete set of instructions for submitting these program  
12 and financial plans at the same time that instructions for submitting  
13 other budget requests are provided. The budget document or documents  
14 shall consist of the governor's budget message which shall be  
15 explanatory of the budget and shall contain an outline of the proposed  
16 financial policies of the state for the ensuing fiscal period, as well  
17 as an outline of the proposed six-year financial policies where  
18 applicable, and shall describe in connection therewith the important  
19 features of the budget. The message shall set forth the reasons for  
20 salient changes from the previous fiscal period in expenditure and  
21 revenue items and shall explain any major changes in financial policy.  
22 Attached to the budget message shall be such supporting schedules,  
23 exhibits and other explanatory material in respect to both current  
24 operations and capital improvements as the governor shall deem to be  
25 useful to the legislature. The budget document or documents shall set  
26 forth a proposal for expenditures in the ensuing fiscal period, or six-  
27 year period where applicable, based upon the estimated revenues and  
28 caseloads as approved by the economic and revenue forecast council and  
29 caseload forecast council or upon the estimated revenues and caseloads  
30 of the office of financial management for those funds, accounts,  
31 sources, and programs for which the forecast councils do not prepare an  
32 official forecast, including those revenues anticipated to support the  
33 six-year programs and financial plans under RCW 44.40.070. In  
34 estimating revenues to support financial plans under RCW 44.40.070, the  
35 office of financial management shall rely on information and advice  
36 from the transportation revenue forecast council. Revenues shall be  
37 estimated for such fiscal period from the source and at the rates

1 existing by law at the time of submission of the budget document,  
2 including the supplemental budgets submitted in the even-numbered years  
3 of a biennium. However, the estimated revenues and caseloads for use  
4 in the governor's budget document may be adjusted to reflect budgetary  
5 revenue transfers and revenue and caseload estimates dependent upon  
6 budgetary assumptions of enrollments, workloads, and caseloads. All  
7 adjustments to the approved estimated revenues and caseloads must be  
8 set forth in the budget document. The governor may additionally  
9 submit, as an appendix to each supplemental, biennial, or six-year  
10 agency budget or to the budget document or documents, a proposal for  
11 expenditures in the ensuing fiscal period from revenue sources derived  
12 from proposed changes in existing statutes.

13 Supplemental and biennial documents shall reflect a six-year  
14 expenditure plan consistent with estimated revenues from existing  
15 sources and at existing rates for those agencies required to submit  
16 six-year program and financial plans under RCW 44.40.070. Any  
17 additional revenue resulting from proposed changes to existing statutes  
18 shall be separately identified within the document as well as related  
19 expenditures for the six-year period.

20 The budget document or documents shall also contain:

21 (a) Revenues classified by fund and source for the immediately past  
22 fiscal period, those received or anticipated for the current fiscal  
23 period, those anticipated for the ensuing biennium, and those  
24 anticipated for the ensuing six-year period to support the six-year  
25 programs and financial plans required under RCW 44.40.070;

26 (b) The tax expenditure report prepared under RCW 43.06.400;

27 (c) The undesignated fund balance or deficit, by fund;

28 ~~((e))~~ (d) Such additional information dealing with expenditures,  
29 revenues, workload, performance, and personnel as the legislature may  
30 direct by law or concurrent resolution;

31 ~~((d))~~ (e) Such additional information dealing with revenues and  
32 expenditures as the governor shall deem pertinent and useful to the  
33 legislature;

34 ~~((e))~~ (f) Tabulations showing expenditures classified by fund,  
35 function, activity, and agency. However, documents submitted for the  
36 2003-05 biennial budget request need not show expenditures by activity;

37 ~~((f))~~ (g) A delineation of each agency's activities, including

1 those activities funded from nonbudgeted, nonappropriated sources,  
2 including funds maintained outside the state treasury;

3 ~~((g))~~ (h) Identification of all proposed direct expenditures to  
4 implement the Puget Sound water quality plan under chapter 90.71 RCW,  
5 shown by agency and in total; and

6 ~~((h))~~ (i) Tabulations showing each postretirement adjustment by  
7 retirement system established after fiscal year 1991, to include, but  
8 not be limited to, estimated total payments made to the end of the  
9 previous biennial period, estimated payments for the present biennium,  
10 and estimated payments for the ensuing biennium.

11 (2) The budget document or documents shall include detailed  
12 estimates of all anticipated revenues applicable to proposed operating  
13 or capital expenditures and shall also include all proposed operating  
14 or capital expenditures. The total of beginning undesignated fund  
15 balance and estimated revenues less working capital and other reserves  
16 shall equal or exceed the total of proposed applicable expenditures.  
17 The budget document or documents shall further include:

18 (a) Interest, amortization and redemption charges on the state  
19 debt;

20 (b) Payments of all reliefs, judgments, and claims;

21 (c) Other statutory expenditures;

22 (d) Expenditures incident to the operation for each agency;

23 (e) Revenues derived from agency operations;

24 (f) Expenditures and revenues shall be given in comparative form  
25 showing those incurred or received for the immediately past fiscal  
26 period and those anticipated for the current biennium and next ensuing  
27 biennium, as well as those required to support the six-year programs  
28 and financial plans required under RCW 44.40.070;

29 (g) A showing and explanation of amounts of general fund and other  
30 funds obligations for debt service and any transfers of moneys that  
31 otherwise would have been available for appropriation;

32 (h) Common school expenditures on a fiscal-year basis;

33 (i) A showing, by agency, of the value and purpose of financing  
34 contracts for the lease/purchase or acquisition of personal or real  
35 property for the current and ensuing fiscal periods; and

36 (j) A showing and explanation of anticipated amounts of general  
37 fund and other funds required to amortize the unfunded actuarial

1 accrued liability of the retirement system specified under chapter  
2 41.45 RCW, and the contributions to meet such amortization, stated in  
3 total dollars and as a level percentage of total compensation.

4 (3) A separate capital budget document or schedule shall be  
5 submitted that will contain the following:

6 (a) A statement setting forth a long-range facilities plan for the  
7 state that identifies and includes the highest priority needs within  
8 affordable spending levels;

9 (b) A capital program consisting of proposed capital projects for  
10 the next biennium and the two biennia succeeding the next biennium  
11 consistent with the long-range facilities plan. Inasmuch as is  
12 practical, and recognizing emergent needs, the capital program shall  
13 reflect the priorities, projects, and spending levels proposed in  
14 previously submitted capital budget documents in order to provide a  
15 reliable long-range planning tool for the legislature and state  
16 agencies;

17 (c) A capital plan consisting of proposed capital spending for at  
18 least four biennia succeeding the next biennium;

19 (d) A strategic plan for reducing backlogs of maintenance and  
20 repair projects. The plan shall include a prioritized list of specific  
21 facility deficiencies and capital projects to address the deficiencies  
22 for each agency, cost estimates for each project, a schedule for  
23 completing projects over a reasonable period of time, and  
24 identification of normal maintenance activities to reduce future  
25 backlogs;

26 (e) A statement of the reason or purpose for a project;

27 (f) Verification that a project is consistent with the provisions  
28 set forth in chapter 36.70A RCW;

29 (g) A statement about the proposed site, size, and estimated life  
30 of the project, if applicable;

31 (h) Estimated total project cost;

32 (i) For major projects valued over five million dollars, estimated  
33 costs for the following project components: Acquisition, consultant  
34 services, construction, equipment, project management, and other costs  
35 included as part of the project. Project component costs shall be  
36 displayed in a standard format defined by the office of financial  
37 management to allow comparisons between projects;

1 (j) Estimated total project cost for each phase of the project as  
2 defined by the office of financial management;

3 (k) Estimated ensuing biennium costs;

4 (l) Estimated costs beyond the ensuing biennium;

5 (m) Estimated construction start and completion dates;

6 (n) Source and type of funds proposed;

7 (o) Estimated ongoing operating budget costs or savings resulting  
8 from the project, including staffing and maintenance costs;

9 (p) For any capital appropriation requested for a state agency for  
10 the acquisition of land or the capital improvement of land in which the  
11 primary purpose of the acquisition or improvement is recreation or  
12 wildlife habitat conservation, the capital budget document, or an  
13 omnibus list of recreation and habitat acquisitions provided with the  
14 governor's budget document, shall identify the projected costs of  
15 operation and maintenance for at least the two biennia succeeding the  
16 next biennium. Omnibus lists of habitat and recreation land  
17 acquisitions shall include individual project cost estimates for  
18 operation and maintenance as well as a total for all state projects  
19 included in the list. The document shall identify the source of funds  
20 from which the operation and maintenance costs are proposed to be  
21 funded;

22 (q) Such other information bearing upon capital projects as the  
23 governor deems to be useful;

24 (r) Standard terms, including a standard and uniform definition of  
25 normal maintenance, for all capital projects;

26 (s) Such other information as the legislature may direct by law or  
27 concurrent resolution.

28 For purposes of this subsection (3), the term "capital project"  
29 shall be defined subsequent to the analysis, findings, and  
30 recommendations of a joint committee comprised of representatives from  
31 the house capital appropriations committee, senate ways and means  
32 committee, legislative transportation committee, legislative evaluation  
33 and accountability program committee, and office of financial  
34 management.

35 (4) No change affecting the comparability of agency or program  
36 information relating to expenditures, revenues, workload, performance  
37 and personnel shall be made in the format of any budget document or  
38 report presented to the legislature under this section or RCW

1 43.88.160(1) relative to the format of the budget document or report  
2 which was presented to the previous regular session of the legislature  
3 during an odd-numbered year without prior legislative concurrence.  
4 Prior legislative concurrence shall consist of (a) a favorable majority  
5 vote on the proposal by the standing committees on ways and means of  
6 both houses if the legislature is in session or (b) a favorable  
7 majority vote on the proposal by members of the legislative evaluation  
8 and accountability program committee if the legislature is not in  
9 session.

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